

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 AGRE-00 CEA-01 CIAE-00 DODE-00
FRB-03 H-01 INR-07 INT-05 L-03 LAB-04 NSAE-00 NSC-05
PA-01 AID-05 CIEP-01 SS-15 STR-04 ITC-01 TRSE-00
USIA-06 PRS-01 SP-02 OMB-01 FEA-01 /087 W
-----300851Z 029171 /17

R 300800Z DEC 76
FM AMEMBASSY PRAGUE
TO SECSTATE WASHDC 1745
INFO USDOC WASHDC
AMEMBASSY VIENNA
USMISSION NATO BRUSSELS

C O N F I D E N T I A L PRAGUE 3643

E.O. 11652: GDS
TAGS: EALR, EFIN, ETRD, EAGR, CZ, US
SUBJECT: MFA PREDICTS 1976 IMPORTS FROM US WILL TOTAL \$200
MILLION

DEPT ALSO PASS AGRICULTURE FOR FAS; VIENNA FOR AGATT

REF: PRAGUE 3147

1. SUMMARY: MFA OFFICIAL SAYS CZECHOSLOVAKIA WILL IMPORT \$200
MILLION FROM US IN 1976 WHILE EXPORTING NO MORE THAN \$30 MILLION.
THIS SUBSTANTIAL IMBALANCE FAVORING US WAS CITED AS A FACTOR GOC
MUST TAKE INTO ACCOUNT IN EFFORTS TO MOVE TOWARD A GOLD/CLAIMS
SETTLEMENT. COMMENT: MFA'S ROUNDED FIGURES ARE INTERESTING
AND PLAUSIBLE, GIVEN PREVIOUSLY REPORTED IMPORT ESTIMATES FOR
CORN, WHEAT AND SOYBEAN MEAL. USING GOC DATA, NEW FIGURES
INDICATE APPROXIMATE 47 PERCENT INCREASE OVER 1975 IMPORTS FROM US,
EIGHT PERCENT FALL IN CZECHOSLOVAK EXPORTS TO US AND 70 PERCENT
RISE IN CZECHOSLOVAKIA'S BILATERAL TRADE DEFICIT. SALES OF US
MANUFACTURED GOODS EVIDENTLY HAVE ALSO RISEN, BUT NOT YET CLEAR
WHETHER THIS DUE SOLELY TO INFLATION. 1976 FIGURE NOT UNMIXED
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BLESSING FOR US. LOW EXPORTS MAY LIMIT CZECHOSLOVAKIA'S FUTURE
IMPORTS. ALSO, RISE IN US SALES MAY LEAD GOC TO TALK AND PERHAPS ACT
TOUGHER WITH US IN EFFORT TO EXTRACT COMPENSATING BENEFITS.
END SUMMARY.

2. ZANTOVSKY, DIRECTOR OF MFA'S SIXTH DEPARTMENT, TOLD AMBASSADOR

DEC. 22 THAT CZECHOSLOVAK IMPORTS FROM US DURING 1976 TOTALED APPROXIMATELY "ONE BILLION CROWNS--OR \$200 MILLION." SINCE EXPORTS TO US WILL ONLY EQUAL NO MORE THAN \$30 MILLION, HE SAID, GOC FACES PROSPECT OF \$170 MILLION BILATERAL TRADE DEFICIT WITH US. HE INDICATED THAT ROUGHLY 80 PERCENT OF THESE SALES WERE FOR AGRICULTURAL PRODUCTS. ZANTOVSKY CITED THESE ROUND FIGURES, STILL NOT YET PUBLISHED, AS AN IMPORTANT DEVELOPMENT THAT GOC MUST TAKE INTO ACCOUNT IN ITS CONSIDERATION OF A POSSIBLE EVENTUAL SETTLEMENT ON GOLD/CLAIMS ISSUE. HE ALSO SAID THAT FAILURE TO RESOLVE GOLD/CLAIMS IS CAUSING US FIRMS TO LOSE OUT ON MAJOR "PROJECTS" HERE, WITH FRG GETTING ABOUT 9 OUT OF 10 AS A RESULT, A FACT WHICH HE HINTED CAUSES HIM NO JOY. ZANTOVSKY SAID THAT SOME GOC OFFICIALS ARE STILL WARY OF GIVING MAJOR PROJECTS TO US BIDDERS BECAUSE OF BITTER EXPERIENCE 25 YEARS AGO WHEN USG SEIZED AND SOLD OFF STEEL MILL CZECHOSLOVAKIA HAD BOUGHT IN US TO HELP PAY OFF AMERICAN CLAIMANTS. HE ALSO INDICATED THAT HE WILL HEAD GOC TEAM WHENEVER GOLD/CLAIMS IS AGAIN FORMALLY DISCUSSED WITH US.

3. COMMENT: WE FIND ZANTOVSKY'S FIGURES INTERESTING AND PLAUSIBLE. REFTEL, BASED ON AGATT'S OCTOBER 27 DISCUSSION WITH KOOSPOL FTO OFFICIALS, INDICATED CZECHOSLOVAKIA WOULD IMPORT ROUGHLY 600,000 MT OF

CORN, 180,000 MT OF WHEAT AND 350,000 MT OF SOYBEAN MEAL FROM US DURING 1976. AT CURRENT US PRICES, THESE COMMODITIES ALONE WOULD COST APPROXIMATELY \$135 TO \$150 MILLION. IMPORTS OF MANUFACTURED PRODUCTS AND OTHER AGRICULTUREAL ITEMS COULD WELL PUSH TOTAL IMPORTS UP TO \$200.8))89,, WHICH WOULD BE ROUGHLY 47 PERCENT INCREASE OVER IMPORTS FROM US, ACCORDING TO GOC DATA. (NOTE: CZECHOSLOVAK FIGURES FOR IMPORTS FROM US ARE CONSISTENTLY HIGHER THAN CORRESPONDING CONFIDENTIAL

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USG DATA, PRINCIPALLY BECAUSE THE FORMER INCLUDE TRANSSHIPMENT OF US FARM PRODUCTS THROUGH WEST EUROPEAN ENTREPOTS WHICH LATTER STATISTICS DO NOT FULLY INCLUDE. ALSO, CONVERSION OF GOC'S CROWN FIGURES INTO US DOLLARS CAN ALSO CAUSE DISCREPANCIES DUE TO ARTIFICIAL EXCHANGE RATES USED BY GOC). ON CZECHOSLOVAK EXPORT SIDE, 1976 F FURE APPEARS TO BE ABOUT EIGHT PERCENT LOWER THAN 1975 TOTAL. CZECHOSLOVAKIA'S BILATERAL TRADE DEFICIT WITH US EVIDENTLY ROSE BY APPROXIMATELY 70 PERCENT, ASSUMING ZANTOVSKY'S 1976 ESTIMATES AND THE 1975 DATA RECENTLY PUBLISHED BY CZECHOSLOVAK CHAMBER OF COMMERCE ARE CORRECT.

4. SUBSTANTIAL RISE IN US OVERALL EXPORTS TO CSSR WAS EXPECTED DUE TO LARGE AGRICULTURAL PURCHASES RESULTING FROM 1976 DROUGHT. HOWEVER, ZANTOVFHY'S FIGURES EVIDENTLY ALSO REFLECT MORE MODEST RISE IN US MANUFACTURED EXPORTS. WHETHER THIS IS WHOLLY RESULT OF US INFLATION IS NOT YET CLEAR. THESE 1976 DEVELOPMENTS ARE NOT UNMIXED BLESSING FOR US. CZECHOSLOVAKIA'S WIDENING

BILATERAL DEFICIT WITH US (ALONG WITH ITS POOR EXPORT PERFORMANCE IN OTHER WESTERN MARKETS) MAY LIMIT GOC'S ABILITY TO IMPORT FROM US IN FUTURE. MOREOVER, THIS DRAMATIC RISE IN US SALES COULD LEAD GOC TO ATTEMPT FUTURE REDUCTION OF BADLY NEEDED IMPORTS OF US MANUFACTURED ITEMS SINCE CZECHOSLOVAK OFFICIALS HAVE CONSISTENTLY SAID TRADE WITH US CANNOT BE EXPANDED SUBSTANTIALY WITHOUT PRIOR PROGRESS ON GOLD/CLAIMS AND MFN. DESPITE ZANTOVSKY'S SPURIOUS LOGIC IN ATTEMPTING TO LINK RISE IN US SALES TO TERMS OF GOLD/CLAIMS SETTLEMENT, WE CAN EXPECT THAT GOC WILL TRY TO TALK AND PERHAPS ACT TOUGHER WITH US IN EFFORT TO EXTRACT COMPENSATING BENEFITS FROM US.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: REPORTS, DATA, TRADE BALANCE, ECONOMIC ESTIMATES
Control Number: n/a
Copy: SINGLE
Draft Date: 30 DEC 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: BoyleJA
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976PRAGUE03643
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760475-1212
From: PRAGUE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t1976123/aaaaacon.tel
Line Count: 127
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 77 PRAGUE 3147
Review Action: RELEASED, APPROVED
Review Authority: BoyleJA
Review Comment: n/a
Review Content Flags:
Review Date: 31 MAR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <31 MAR 2004 by hartledg>; APPROVED <11 AUG 2004 by BoyleJA>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: MFA PREDICTS 1976 IMPORTS FROM US WILL TOTAL \$200 MILLION DEPT ALSO PASS AGRICULTURE FOR FAS; VIENNA FOR AG
TAGS: EALR, EFIN, ETRD, EAGR, CZ, US
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006